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C O N F I D E N T I A L SECTION 01 OF 02 KUWAIT 000753

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SUBJECT: KUWAIT WANTS TO PLAY ROLE IN RECONSTRUCTION OF IRAQ

Classified By: Ambassador Richard H. Jones for reasons 1.5 (B) and (D)

1.(U) This is an action message: see paragraph 8.

12. (C) Summary: Shaykh Nasser Sabah Al-Ahmed Al-Sabah, Senior Advisor to Crown Prince Shaykh Saad Al-Abdullah Al-Salem Al-Sabah and son of Foreign Minister Shaykh Sabah Al-Ahmed Al-Jaber Al-Sabah, recently told Ambassador that Kuwait wants to play an active and positive role in the long-term reconstruction of Iraq. In addition to the security benefits of building a prosperous and stable state on its northern border, Kuwait believes there are significant economic rewards to be reaped as well. He pointed out that creative thinking about debts and compensation payments could contribute to economic development for all. Shaykh Nasser said he envisioned an Iraq that becomes a model for democracy and development to other states in the region, including Kuwait. He requested Embassy assistance in arranging the right contacts in the USG to discuss Kuwait's vision for the region and to coordinate Kuwait's role. End summary.

13. (C) On February 22 and February 28, Ambassador and EconChief met with Shaykh Nasser Sabah al-Ahmed Al-Sabah. Shaykh Nasser spoke at great length about the current and future situation in Iraq; he shared his assessment that a functioning democracy in Iraq is eminently possible, pointing back in history to the "good period" Iraq enjoyed in the 1920's. He also said the US should not worry extensively about Shia's striving for independence, and outlined the possibilities of a federal system consisting of three states (North, Central and South) or 18 Provinces. However, he opined that the first two years will be the most critical part of the reconstruction; in any case the basic requirements for success would be democracy, development, and tolerance.

14. (C) In the 2/22 meeting, Shaykh Nasser told the Ambassador that Kuwait wanted to play a significant role in the reconstruction of Iraq, and the Ambassador briefed Shaykh Nasser on USG deployments of humanitarian relief personnel who represent the first wave in our efforts to begin the process. The Ambassador invited Shaykh Nasser to identify a GOK representative for our teams to meet with, and Nasser agreed to consult with Shaykh Sabah Al-Ahmad to identify the appropriate interlocutor. A few days later Nasser called the Ambassador to say that Minister of Commerce and Industry Salah Al-Khorsheed had been designated, and the Ambassador agreed to set up meetings for the appropriate USG personnel to meet Khorsheed once they had arrived in Kuwait. (NOTE: Khorsheed is expected to resign his post in the next few months in preparation for elections to the National Assembly expected later this year. END NOTE.)

15. (C) On 2/28 Shaykh Nasser expanded on his earlier thoughts, and reminded Ambassador of their discussions in mid-2002 about his "vision" for a rail, sea, and air transportation hub (and extending across the Iraqi and Saudi deserts all the way to Jordan, as well as across the Shatt al-Arab into Iran) where raw materials and labor from China and the Far East, Central Asia, and Africa could be combined with the capital and energy resources of the Persian Gulf to produce intermediate and finished products for Asian and European markets. Nasser said that the reconstruction of Iraq could be an excellent opportunity to advance his ideas, which he continues to refine and develop. He again reiterated his desire to meet with the appropriate USG officials to share his ideas and to see how they could be coordinated with USG plans for Iraq's reconstruction.

16. (C) Shaykh Nasser noted that Kuwait has about USD 178 billion of compensation claims still before the UN Compensation Committee; about USD 115 billion of those represented claims of the Kuwaiti Government. Nasser said the government expects to receive about USD 35-40 billion of the claimed amount. He said that the GOK should be inventive about collecting the claims, suggesting that Iraqi investments in infrastructure development and joint projects of interest to the GOK -- building gas, oil and or water pipelines, for example -- might be credited against its compensation debt to the GOK.

17. (C) Ambassador encouraged Shaykh Nasser to ensure the GOK interest in this regard was made public; this could help to

begin rebuilding goodwill between the Iraqi and Kuwaiti peoples, and would facilitate international coordination. Nasser agreed with the Ambassador and said he'd consult with the Foreign Minister and the Crown Prince on this point. The Ambassador suggested that it might be desirable to create some type of international forum to advance long-term projects; EconChief added that such a committee could call upon the expertise of IFI's and others to flesh out the technical details of proposals and projects. Nasser agreed a joint team would be a good idea, but rejected significant IFI involvement initially, saying he wanted to work directly with the USG (as the "custodian" of Iraq in the aftermath of a military strike) to define the scope and outline of development plans.

18. (C) ACTION REQUEST: Post understands LTG (ret.) Jay Garner, head of OSD's new Office for Reconstruction and Humanitarian Affairs, along with Ambassador George Ward (Humanitarian Assistance), USAID officer Lew Lucke (Reconstruction), and Michael Mobbs (Civil Administration) will soon be setting up shop in the region. We intend to introduce these officials to Al-Khorsheed and to Shaykh Nasser at their earliest convenience. Post requests guidance on any more appropriate interlocutors, and on any parameters that should guide our discussions with the GOK on Iraqi reconstruction. One caveat: so far, Sheikh Nasser is the only official who has been eager to engage on this topic. The extent to which his views represent the GOK's is unknown. JONES